



***Program Compliance Office
Cal Grant Program Review Report***

2000-01 Award Year

**California State University, Long Beach
Program Review ID#80200113900**

**1250 Bellflower Blvd.
Long Beach, CA 90840-0113**

Program Review Dates:	December 2 - 5, 2002
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AUDITOR'S REPORT

SUMMARY

We reviewed California State University, Long Beach's administration of California Student Aid Commission (Commission) programs for the 2000-01 award year.

The institution's records disclosed the following deficiencies:

- Renewal recipient's Cal Grant unmet need calculated incorrectly
- Cal Grant tuition award exceeds actual tuition charge
- Undisbursed Cal Grant funds not returned timely

BACKGROUND

Through institution compliance reviews, the administration of Commission programs is evaluated to ensure program integrity with applicable laws, policies, contracts and institutional agreements as they pertain to the following grant programs administered by the Commission:

Cal Grants

A, B and T

The following information, obtained from the institution and Commission database, is provided as background on the institution:

A. Institution

- Type of Organization: Public Institution of Higher Education
- President: Robert C. Maxson
- Accrediting Body: Western Association of Schools and Colleges
- Size of Student Body: 34,500

B. Institutional Persons Contacted

- Dean Kulju: Director of Financial Aid
- Nancy Eckhous: Bursar
- Virginia Martin: Financial Aid Business Officer

C. Financial Aid

- Date of Prior Commission Program Review: February 1998
- Branches: None
- Financial Aid Programs: Federal: Family Education Loan Program, Workstudy, Pell SEOG and Perkins
State: Cal Grant A, B and T
- Financial Aid Consultant: None

AUDITOR'S REPORT (continued)

OBJECTIVES, SCOPE AND METHODOLOGY

The purpose of our review is to provide the Commission with assurance that the institution adequately administered the Commission programs and their compliance with applicable laws, policies, contracts and institutional agreements as they pertain to the grant programs administered by the Commission.

The review will focus on, but not be limited to, the following areas:

- A. General Eligibility
- B. Applicant Eligibility
- C. Fund Disbursement and Refunds
- D. Roster and Reports
- E. File Maintenance and Records Retention
- F. Fiscal Responsibility for Program Funds

The specific objectives of the review were to determine that:

- Administration systems have adequate controls to ensure that grant funds received by the institution are secure.
- Administration systems have adequate controls to ensure that grant payments are accurate, legal and proper.
- Accounting requirements are being followed.

The procedures performed in the conduct of this review include:

- Evaluate the current administrative procedures through interviews and reviews of student records, forms and procedures.
- Evaluate the current payment procedures through interviews and reviews of student records, forms and procedures.
- Review the records and grant payment transactions from a sample of 40 students who received a total of 19 Cal Grant A awards, 18 Cal Grant B awards and 3 Cal Grant T awards within the review period. The program review sample was randomly selected from the total population of 3,221 recipients.

This review was conducted in accordance with **Government Auditing Standards** issued by the Comptroller General of the United States. However, the procedures did not constitute a review of the institution's financial statements.

The review scope was limited to planning and performing procedures to obtain reasonable assurance that Commission grant funds were administered according to the applicable laws, policies, contracts and institutional agreements. Accordingly, transactions were examined on a test basis to determine whether grant funds were expended in an eligible manner. The auditor considered the institution's management controls only to the extent necessary to plan the review.

AUDITOR'S REPORT (continued)

**OBJECTIVES,
SCOPE AND
METHODOLOGY
(continued)**

This report is written using the exception-reporting format, which excludes the positive aspects of the institution's administration of the California grant programs.

The names and social security numbers of the sample of students reviewed have been excluded from the body of this report and have been replaced by identifying numbers. Attachment A is a listing of the students by name, social security number and grant type.

CONCLUSION

In conclusion, except for the deficiencies cited in the Findings and Required Actions section of this report, the institution administrated the Commission grant programs in accordance with the applicable laws, policies, contracts and institutional agreements as they pertain to the Commissions grant programs.

**VIEWS OF
RESPONSIBLE
OFFICIALS**

The findings were discussed with agency representatives in an exit conference on December 5, 2002. The agency staff concurred with all findings.

December 5, 2002

Charles Wood, Manager
Program Compliance Office

FINDINGS AND REQUIRED ACTIONS

B. APPLICANT ELIGIBILITY:

FINDING: Renewal Recipient's Cal Grant Unmet Need Calculated Incorrectly

A review of 24 renewal Cal Grant student files disclosed the institution is calculating unmet need incorrectly.

DISCUSSION:

For renewal students, schools must calculate a student's unmet need and report that figure to the Commission, retaining the supporting documentation within the student's record. Schools may use the Commission's annually established student expense budget or the school may adopt its own student budget for determining renewal financial eligibility provided the budgets do not exceed those used for campus-administered aid. The school must report the resulting net unmet need amount on the Grant Roster or the Commission G-21 letter. Net unmet need is defined as a student's Cost of Attendance (COA) minus the Expected Family Contribution (EFC) and Pell grant.

The institution calculated the renewal Cal Grant unmet need as COA-EFC and did not take into consideration Pell at the time of reporting. Additionally, student No. 24's unmet need only reflected the need for one term and not the award year.

REFERENCES:

Higher Education Act, Part F – Need Analysis
Cal Grant Manual, Chapter 4, page 4-3
Cal Grant Manual, Chapter 5, pages 5-15 and 5-16

REQUIRED ACTION:

Although no liability resulted due to the institution's high cost of attendance, the institution must submit in response to this report, the procedures implemented to ensure that the reported unmet need is calculated correctly (COA-EFC-Pell) and reflects the recipient's annual need as a full-time student for the award year.

INSTITUTION RESPONSE:

The University acknowledges that renewal recipient's unmet need has not been calculated as required.

Plans are in place for the 2003-2004 reporting of renewal student's unmet need as part of our PeopleSoft implementation. Attachment A shows the need will be calculated according to the CSAC definition. This information has been excerpted from the CSU Cal Grant modification that all CSU campuses will use in PeopleSoft.

FINDINGS AND REQUIRED ACTIONS (continued)

AUDITOR REPLY:

The institution's action is deemed acceptable and no further action is required.

C. FUND DISBURSEMENT AND REFUNDS:

FINDING: Cal Grant Tuition Award Exceeds Actual Tuition Charge

A review of 40 student files revealed one case where the Cal Grant A tuition award exceeded the actual tuition and fee charges.

DISCUSSION:

The California Education Code indicates that Cal Grant tuition/fee awards shall be used only for tuition and student fees. Based on a recipient's financial need, the Commission makes tuition/fee payments up to a maximum annual award **not to exceed the school's actual tuition/fee charges**.

Student No. 18 received a full time Cal Grant A award of \$1,428 (\$714 per term). According to student No. 18's Billing Statement, a President's Merit Scholarship of \$1,744 (\$872 per term) was received that pays for all University Fees including the State University Fee (tuition). Because the President's Merit Scholarship paid for the State University Fee, the student is not eligible for the Cal Grant award.

REFERENCES:

California Education Code 69532 (a)
Institutional Agreement, Article III.C.2
Cal Grant Manual, Chapter 5, pages 5-11 and 5-20

REQUIRED ACTION:

The institution must repay the ineligible amount of **\$1,428** for student No. 18. In addition, the institution must provide the written policies and procedures that will be put into place to ensure that Cal Grant funds for tuition only will not exceed the actual tuition and fees charged.

INSTITUTION RESPONSE:

The University agrees with the finding and acknowledges that coordination with other campus departments that make fee designated awards has been a challenge.

The required student information for 2001-02 along with our check in the amount of \$1,428 is enclosed.

FINDINGS AND REQUIRED ACTIONS (continued)

Attachment B includes the policy/procedures for President's Scholarships and Cal Grants. In particular, the fifth bullet on the second page of the document explains how fee designated awards are handled. "In each case, the student is only eligible for one award for registration fees (either, or)."

AUDITOR REPLY:

The institution's action is deemed acceptable and no further action is required.

F. FISCAL RESPONSIBILITY FOR PROGRAM FUNDS:

FINDING: Undisbursed Cal Grant Funds Not Returned Timely

A review of documentation revealed that Cal Grant Funds were reconciled for the 2000-01 award year but undisbursed funds were not returned to the Commission. Additionally, prior year balances have not been returned.

DISCUSSION:

All participating institutions agree to use the funds advanced to it solely for payment to eligible recipients in the Cal Grant Program. Once the Commission advances Cal Grant funds, schools must determine and verify student eligibility before disbursing funds.

The Commission strongly recommends that schools reconcile Cal Grant payments on a monthly basis. At a minimum, Cal Grant participating institutions must reconcile their accounts with the funds received from the Commission for each academic year. Should the institution's records of individual payments to eligible students be less than what the Commission paid, the institution must return the difference to the Commission.

Schools must make all disbursements by September 30 following the end of the award year (for example, September 30, 2002, for award year 2001-02). At the latest, all payment transactions must be reported prior to the start of the month-end processing the following November. The school will bear the liability for payments not reported prior to the November month-end processing cycle.

For the 2000-01 award year, the Commission advanced the institution \$5,553,612.00 and the institution reported payments in the amount of \$5,552,898.00. An invoice for the remaining balance of \$714.00 was issued to the institution. Upon further examination of institution accounting records, the school disbursed a total of \$5,521,144.35. Of the \$5,521,144.35 disbursed, \$5,094.00 in payments was not reported to the Commission prior to the 2000-01 year-end reconciliation. The unreported payments are unable to be reimbursed and are detailed in the following chart:

FINDINGS AND REQUIRED ACTIONS (continued)

2000-01 Unreported Payments			
ID	CSAC Paid	Institution Paid	Difference
X.9	\$1,548.00	\$2,976.00	\$1,428.00
7	387.00	774.00	387.00
23	565.00	986.00	421.00
X.33	1,488.00	1,490.00	2.00
X.45	1,169.00	2,597.00	1,428.00
X.46	1,548.00	2,976.00	1,428.00
Total 2000-01 Unreported Payments			\$5,094.00

The total disbursements to be reimbursed by the Commission for the 2000-01 award year equaled \$5,516,050.35 (\$5,521,144.35 actual disbursements less \$5,094.00 unreported payments). Therefore, the institution disbursed \$36,847.65 less than the amount advanced by the Commission (\$5,553,612.00 Commission advanced less \$714.00 invoice less \$5,516,050.35 reimbursable payments) as follows:

2000-01 Undisbursed Funds			
ID	CSAC Paid	Institution Paid	Difference
X.1	\$1,488.00	\$0.00	\$1,488.00
X.2	1,428.00	714.00	714.00
X.3	714.00	0.00	714.00
X.4	1,128.00	714.00	414.00
X.5	714.00	0.00	714.00
X.6	1,428.00	714.00	714.00
X.7	1,428.00	0.00	1,428.00
X.8	1,488.00	774.00	714.00
X.10	1,488.00	774.00	714.00
X.11	1,428.00	0.00	1,428.00
X.12	714.00	0.00	714.00
X.13	714.00	0.00	714.00
X.14	774.00	0.00	774.00
12	714.00	0.00	714.00
X.15	714.00	0.00	714.00
X.16	1,488.00	774.00	714.00
18	1,428.00	714.00	714.00
X.17	2,976.00	1,488.00	1,488.00
X.18	714.00	0.00	714.00
X.19	357.00	0.00	357.00
X.20	714.00	0.00	714.00
X.21	714.00	0.00	714.00
X.22	1,506.00	0.00	1,506.00
X.23	2,976.00	2,104.00	872.00
X.24	1,428.00	0.00	1,428.00
X.25	714.00	0.00	714.00
X.26	714.00	0.00	714.00

FINDINGS AND REQUIRED ACTIONS (continued)

2000-01 Undisbursed Funds			
ID	CSAC Paid	Institution Paid	Difference
X.27	714.00	0.00	714.00
X.28	1,736.00	1,022.00	714.00
X.29	714.00	0.00	714.00
X.30	714.00	0.00	714.00
X.31	714.00	0.00	714.00
X.32	1,488.00	0.00	1,488.00
X.34	825.00	438.00	387.00
X.35	414.00	0.00	414.00
X.36	714.00	0.00	714.00
X.37	714.00	0.00	714.00
X.38	414.00	0.00	414.00
X.39	714.00	0.00	714.00
X.40	1,428.00	0.00	1,428.00
X.41	714.00	0.00	714.00
X.42	1,488.00	774.00	714.00
X.43	714.00	0.00	714.00
X.44	465.00	351.35	113.65
X.47	714.00	0.00	714.00
X.48	714.00	0.00	714.00
Total 2000-01 Undisbursed Funds to be Returned			\$36,847.65

A review of the General Ledger Detail Activity Revenue Report showed \$6,318 in prior year balances and the Student Grants Awarded Report showed \$19,319.38 in prior year undisbursed funds for a total of \$25,637.38 to be returned to the Commission.

REFERENCES:

California Education Code, 69535.5
Institutional Agreement, Article III.B.7 and Article III.C.2
Cal Grant Manual, Chapter 6
Cal Grant Manual, Chapter 9, page 9-11

REQUIRED ACTION:

The institution must repay the undisbursed funds of **\$36,847.65** for the 2000-01 award year and the **\$25,637.38** for prior years. The institution must provide procedures for Cal Grant reconciliation that have been put into place to ensure all payment transactions are reported by the Commission deadline and undisbursed funds are returned to the Commission. These procedures should include time frames, staff titles, and specific areas of responsibility as it relates to the Cal Grant reconciliation process.

FINDINGS AND REQUIRED ACTIONS (continued)

INSTITUTION RESPONSE:

The University agrees with the finding and acknowledges that undisbursed funds were not returned to the Commission.

The required student information for 2000-01 along with our check in the amount of \$62,485.03 including the prior year(s) student information and undisbursed funds is enclosed.

Attachment C contains the procedures we have in place for payment transaction reporting and the return of **undisbursed** funds.

For the 2001-02 award year we have made payment adjustments and returned undisbursed funds within the prescribed Commission guidelines. Unfortunately, it was too late to do the same for the 2000-01 award year.

AUDITOR REPLY:

The institution's action is deemed acceptable and no further action is required.

ATTACHMENT A - STUDENT SAMPLE
